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July 17, 1998

William J. Henderson
Postmaster General and Chief Executive Officer
United States Postal Service
475 L'Enfant Plaza SW
Washington, DC 20260-0010

Dear General Henderson:

At the Subcommittee hearing last month, concerns were expressed regarding the Postal Service's most recent report on its cost and revenue data. Specifically, the Postal Service's Fiscal Year 1997 Cost and Revenue Analysis report does not apply the same definitions of attributable costs that have been used by the Postal Rate Commission to develop rates in any of the recent rate or reclassification cases. We are writing to request your assistance in helping the Postal Rate Commission review this matter.

Postal Service rates, except in very unusual circumstances, are based on attributable costs and markups established by the Postal Rate Commission. The Commission recently issued an Opinion recommending rate changes for all domestic mail classes and services based on evidence developed during extensive public hearings. As required by law, the rates for each class were designed to recover that portion of the Service's direct and indirect costs found to be attributable to that class, and a reasonable portion of the remaining, unattributed costs. From the standpoint of fairness and equity, mailers understandably have a strong interest in knowing the contribution that each subclass is making towards the institutional costs of the Postal Service.

Therefore, when mailers assess whether current and recommended rates meet the statutory rate policies as set out in Title 39, U.S. Code, and the specific rate criteria detailed in section 3622 (b) of that title, they must compare revenues from rates against the attributable costs for each subclass of service. However, as noted in our recent hearing, the Postal Service's most recent Cost and Revenue Analysis report does not apply the definitions of attributable costs used by the Commission to develop rates in any of the recent rate or reclassification cases.


William J. Henderson
page 2

We have asked the Postal Rate Commission to recast the results reported in the Fiscal Year 1997 Cost and Revenue Analysis report to show attributable costs by subclasses and services using the attribution methodologies it used to develop the rate and fee changes it recently recommended. If possible, the Commission is to provide this information within thirty days. Please ensure that the Postal Service expeditiously provides the Commission with any information or data that it may need to comply with this request.

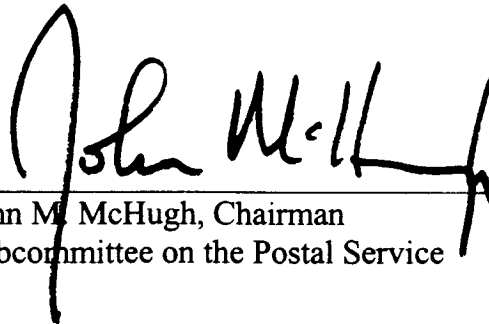
Thank you for your prompt attention to this matter.

With best wishes, we are

Sincerely yours,

A handwritten signature in black ink, appearing to read "Dan Burton", written over a horizontal line.

Dan Burton, Chairman
Committee on Government Reform
and Oversight

A handwritten signature in black ink, appearing to read "John M. McHugh", written over a horizontal line.

John M. McHugh, Chairman
Subcommittee on the Postal Service

cc: Board of Governors